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United Arab Emirates

Exporter Guide

Exporter Guide For Doing Business In The GCC-5 1999

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Report Highlights:

Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates - the GCC-5 - have relatively affluent but small populations, and they are very dependent on imported agricultural commodities and consumer ready food products. Have a look at this report to map out trading to buyers in this lucrative marketplace.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Dubai [TC1], TC

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SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5¹) countries covered by the Agricultural Trade Office (ATO) Dubai are a homogeneous group of small nations which rely on oil for revenue and on imported food products to meet consumption. Of the five countries at issue, the United Arab Emirates (UAE) is the most significant of markets and derives sizable revenues from the re-export business for which its commercial center and the Gulf's trade hub, Dubai, has come to be known. With a fall in Russian business due to that country's economic problems and the poor performance of many of the Asian economies into 1999, regional re-export was certainly negatively affected. In addition, with low oil prices that prevailed until early 1999, there was a definite impact on government-funded investment in infrastructure that resulted in some outflow of labor in countries like Kuwait, Oman and Qatar. On the other hand, the rise of petroleum prices through the rest of 1999, large oil reserves and the development of natural gas fields in the region portend a brighter future for the states of the Arabian Gulf.

Despite lower revenues from oil in 1998, U.S. food product sales to the GCC-5 reached a record level of \$300 million in 1998, increasing 50% over 1997. We project a growth rate in the value of consumer foods and fishery products of 5-10% in 2000 and an increase in U.S. consumer food and fishery product imports from the U.S. of 10-15% for the same period. Population growth rates across the region are estimated at 3-4% annually and improving resource revenues explain the projected growth.

An interesting aspect of the populations in the countries covered by ATO Dubai is that in Kuwait, Qatar and the UAE, the local populations are outnumbered by expatriates, the majority of whom are from the Indian subcontinent, and, to a lesser extent, from other Arab countries. Workers from India, Pakistan, Bangladesh, Sri Lanka with a smaller number from the Philippines perform all the manual labor and fill the majority of clerical, technical and professional positions as well. In Bahrain and Oman, these nationalities comprise the bulk of the expatriate communities as well. Without a doubt, the expatriate community throughout the GCC influences food product imports. In addition, the fact that a high percentage of the local population travels to the West and pursues higher education there makes these countries greater consumers of western and U.S. products. Finally, with the spread of international television via satellite communication there is more region-wide advertising that also affects buying decisions.

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products</i>	<i>High price of U.S. goods</i>
<i>High regional per capita incomes</i>	<i>U.S. products shipped from a greater distance so cost more to ship</i>
<i>Broad familiarity with U.S. culture and desire to emulate it</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest income</i>
<i>Increasing number of tourists (to Bahrain, Oman and the UAE, in particular)</i>	<i>Importers often want to start with small quantities</i>
<i>Relatively large young population that is open to new foods and tastes.</i>	<i>All finished products must carry production/expiry dating and arrive with ½ product shelf life or more in effect</i>

¹ (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates)

SECTION II. EXPORTER BUSINESS TIPS

1. Study each market. This may seem like obvious advice, but importers often complain that U.S. suppliers are ignorant of local market conditions. ATO's annual marketing plan, as well as trade data for the GCC-5 can be obtained from the AgExport Services (AGX) Division, FAS/Washington (Fax: 202-690-4374) or via Internet at <http://www.fas.usda.gov>.

Information on ATO Dubai activities as well as related useful links in the United States and the GCC-5 countries may be obtained on the ATO Dubai Home Page on the following URL:

<http://www.usembabu.gov.ae/atodubai.htm>

2. Visit the region. This is perhaps the single most important step a U.S. company can take, if it is serious about doing business in the Gulf. To quote one successful U.S. company contact, "Letters and faxes alone will not suffice". Follow-up visits are equally important; do not give up.

3. If you cannot make the trip, exhibit at a major U.S. food show and inform potential customers of your participation well in advance. Approximately 50 major GCC-5 food importers attend the FMI/NASDA exposition each year. Many report importing U.S. products as a direct result of their visit.

4. Target reliable importers. The AGX Division in FAS/Washington can provide a list of local importers, by product. In addition, ATO Dubai (Fax: 971-4-314-998; Email: atodubai@emirates.net.ae) can provide a directory of GCC-5 companies importing U.S. food products, by product category and country.

5. Be prepared to discuss product price, preferably on a C&F basis. Be sure to include the cost of label modifications required to meet local regulations. Production and expiry dates are mandatory and Arabic/English labels or stickers are required, depending upon the country. A thorough review of the food import regulations of the GCC-5 is available from individual country Food and Agricultural Import Regulations and Standards (FAIRS) reports accessible via the FAS/Washington website at: www.fas.usda.gov/scripts/attacherep/attache_lout.asp.

6. Bring samples and be prepared to discuss marketing strategy and possible promotional assistance. Local importers are increasingly looking for assistance such as free samples, advertising, in-store displays and price discounts, particularly for new-to-market products.

7. Help advertise. Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is expensive, but definitely effective if targeting a regional audience.

8. Participate in the Gulf Food Show. Held every two years in Dubai, UAE, the Gulf Food Show has grown to be the largest food show in the Middle East. Please contact ATO Dubai for more details on the February 2001 exhibition.

9. Stress USA quality. Local consumers are increasingly aware that "Made in the USA" is synonymous with high quality. Thus, identifying your USA origin with symbols like the Statue of Liberty or the U.S. flag can boost sales.

10. Be prepared to fill orders smaller than normal or share a shipment with someone. Local importers tend to purchase small quantities, particularly from new suppliers, until they are sure of the product's market potential and the supplier's staying power.

11. Be wary of agency agreements. These agreements have been virtually impossible to terminate without penalty, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries, and is not a constraint in the UAE and Oman.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In 1998, about 50% of the \$300 million in U.S. agricultural exports to the GCC-5 were consumer-ready foods and beverages. We estimate that 55% of these exports went directly to food retail, but in the case of the UAE, it is estimated that as much as fifty percent of products imported have been re-exported to other GCC countries, states of the Former Soviet Union, notably Azerbaijan, Iran, the Indian subcontinent and East Africa.

The HRI sector consumes about 15% of U.S. consumer-ready foods and beverages. Hotel development and the concomitant drive to attract tourists is especially pronounced in Dubai, but is also occurring in the rest of the GCC-5 except for Kuwait. Although the size of the labor camp component of institutional use may have declined somewhat in the latter stages of 1998 and into the first half of 1999 because of weak oil prices and the slow-down in some infrastructure development projects, the rebound in prices which began in early 1999 bodes well for more development, more workers and more institutional demand well into 2000.

In addition to the industrial-size commodity processing of wheat for flour and an even more overbuilt vegetable oil processing infrastructure, the food processing business is small but developing in the region. We estimate that the food processing sectors in the GCC-5 account for about 30% of the intermediate/semi-processed products the U.S. sells in this region. Of the five countries at issue, the UAE, Kuwait and Bahrain have the more developed food processing industries, with vegetable oil packaging, snack foods, juice reconstitution and dessert products accounting for the main product categories for which imported U.S. inputs are used. There is some processing of beef, primarily from India, as well as mutton, but this is for the low-end of the retail market primarily, so U.S. products would not be used.

Overall, ATO Dubai projects growth in the sale of consumer ready food products in the GCC-5 to increase 5-10% annually with U.S. exports expected to increase 10-15%.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- | | |
|----------------------------|---------------------------|
| 1. Fresh Apples | 8. Almonds (shelled) |
| 2. Fresh Pears | 9. Confectionary Products |
| 3. Juices | 10. Honey |
| 4. Beef (chilled & frozen) | 11. Frozen Vegetables |
| 5. Edible Oils | 12. Snack foods |
| 6. Sauces | 13. Misc. Foods, NES |
| 7. Poultry Meat | 14. Pulses |

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE (ATO) - DUBAI
DEPARTMENT OF STATE (AGR)
WASHINGTON, DC 20521-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
 U.S. CONSULATE GENERAL
 P.O. BOX 9343
 DUBAI, UNITED ARAB EMIRATES

TELEPHONE: 971 4 331-4063 OR 331-3612
 FAX: 971 4 331-4998
 E-MAIL: atodubai@emirates.net.ae
 INTERNET HOMEPAGE: www.usembabu.gov.ae/atodubai.htm

Pertinent Government Food Import Contacts:

Bahrain: Mr. Zakariya Khunji, Food Hygiene Supervisor, Ministry of Health
 Telephone: 973 279-219/273-683; Fax: 973 279-253

Kuwait: Mr. Jamaan Al-Hagry, Manager Food Department, Kuwait Municipality
 Telephone: 965 572-0644/7518; Fax: 965 573-5144

Oman: Mrs. Aida Al-Riyami, Director, Specs. & Measure., Min. of Commerce
 Telephone: 968 771-3268 Fax: 968 771-5992
 E-Mail: dgsm123@gto.net.om

Qatar: Dr. Jasim Al-Jedah, Director, Central Laboratories, Ministry of Public Health
 Telephone: 974 329-718; Fax: 974 353-769
 E-Mail: rfcfm@qatar.net.qa

UAE:
 (Abu Dhabi) Dr. Amin Yousuf, Director, Food & Environment Control Center
 Telephone: 971 2 698-0300/211 Fax: 971 2 785-961

(Dubai) Mr. Khalid Sherif, Head of Food Control Section
 Telephone: 971 4 221-2842/2228-5379 Fax: 971 4 223-1905/222-1513

APPENDIX I. STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	5,650/5%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	3,462/6%

<i>Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)</i>	<i>5,650/5%</i>
<i>Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)</i>	<i>94/1%</i>
<i>Total Population (Millions) / Annual Growth Rate (%)</i>	<i>8.5 /3%</i>
<i>Urban Population (Millions) / Annual Growth Rate (%)</i>	<i>6.5 /3%</i>
<i>Number of Major Metropolitan Areas</i>	<i>2 (Dubai & Kuwait City)</i>
<i>Size of Middle Class² (Millions) / Growth Rate (%)</i>	<i>4.4/3%</i>
<i>Per Capita Gross Domestic Product (U.S. Dollars) (1997 data)</i>	<i>13,520³</i>
<i>Percent of Female Population Employed</i>	<i>12%⁴</i>
<i>Exchange Rate (US\$1) = .375 Bahraini Dinars, .303 Kuwaiti Dinars, .384 Omani Riyals, 3.64 Qatari Riyals and 3.67 UAE Dirhams</i>	

Source: Foreign Trade Statistics Yearbooks of the GCC-5 countries and ATO Estimates

²Population whose monthly income ranges from \$1,500 to \$3,000

³(Avg. 1997 GDPs for Bahrain, Kuwait, Oman, Qatar and the UAE, ranging from \$6,500 in Oman to \$19,000 in the UAE)

⁴12% if population (expatriate & local) is considered, but only 1-2% if local/native women population is considered.

**B. CONSUMER FOOD & EDIBLE
FISHERY PRODUCT IMPORTS**
Total GCC - 5 Food Imports in 1997

<i>Commodity</i>	<i>Total Imports in \$(000)</i>	<i>From the USA \$(000)</i>	<i>U.S. % Total</i>	<i>%of Total</i>	<i>U.S. %</i>
BULK PRODUCTS	1,383,514	45,284	3%	24%	15%
WHEAT	157,314	0	0%		
RICE	315,767	8,253	3%		
BARLEY	68,189	3	0%		
CORN	33,825	5,204	15%		
MILLET	1,301	2	0%		
OTHER UNMILLED CEREALS	10,007	2,041	20%		
PULSES (BEANS & LENTILS)	84,307	2,618	3%		
OILSEEDS, NUTS & KERNELS	25,581	6,486	25%		
COTTON & WOOL	769	1	0%		
WOOD, LUMBER & CORK	369,689	15,734	4%		
COFFEE, TEA, COCOA	207,724	3,071	1%		
SPICES, CONDIMENTS	97,471	1,143	1%		
TOBACCO LEAF	4,864	1	0%		
SALT	6,706	727	11%		
II. INTERMEDIATE AGRICULTURAL PRODUCTS	711,787	42,043	6%	13%	14%
CAKES AND MEALS	26,523	92	0%		
VEGOILS EX CORN OIL	135,403	10,883	8%		
CORN OIL	67,998	24,781	36%		
ANIMAL FATS & OILS	8,397	151	2%		
LIVE ANIMALS	288,992	288	0%		
HIDES & SKINS	444	24	5%		
FEEDSTUFFS	79,848	1,787	2%		
PET FOODS	19,420	967	5%		
HORTICULTURAL SPECIAL.	84,762	3,070	4%		
III. CONSUMER ORIENTED PRODUCTS	3,556,523	219,039	6%	63%	71%
MEAT EX POULTRY	219,224	5,975	3%		
OFFAL & MEAT PREP.	201,892	18,767	9%		
POULTRY MEAT	305,977	9,494	3%		

MILK & PRODUCTS	345,448	1,433	0%
BUTTER	45,620	234	1%
CHEESES & CURD	139,086	4,056	3%
OTHER DAIRY PRODUCTS	20,287	20	0%
EGGS	64,267	11,004	17%
FISH & FISH PREPARATIONS	94,063	886	1%
POTATOES	25,281	191	1%
VEGETABLES, FR, FZN, PRSVD	387,615	16,287	4%
FRUITS CITRUS	115,593	309	0%
FRUITS NON-CITRUS	377,768	44,046	12%
FRUIT PREP. OR PRSVD	13,561	1,792	13%
JAMS, JELLIES, MARMALADES	11,090	383	3%
FRUIT JUICES	43,197	4,962	11%
EDIBLE NUTS	115,470	23,529	20%
SUGAR & MOLASSES	184,371	488	0%
NATURAL HONEY	10,404	1,440	14%
CONFECTIONERY PRODUCTS	152,747	11,162	7%
BEVERAGES: NON ALCOHOLIC	101,953	2,080	2%
CEREAL & PRODUCTS	183,110	8,972	5%
MISC. FOOD PREPARATION	311,413	46,067	15%
BEVERAGES, ALCOHOLIC	87,086	5,462	6%
GRAND TOTALS	5,651,824	306,366	5%

Source: Foreign Trade Statistics Yearbooks of the GCC-5 countries.

C. MAJOR SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS⁵

⁵Provided for two largest GCC-5 Markets: UAE and Kuwait

1. KUWAIT - CONSUMER READY PRODUCT IMPORTS

1995 Total US\$ 762 million; from USA US\$ 52 million or 7%

1996 Total US\$ 832 million; from USA US\$ 52 million or 6%

1997 Total US\$ 760 million; from USA US\$ 53 million or 7%

Principal suppliers in alphabetical order: Australia, Brazil, Denmark, Egypt, France, Germany, India, Ireland, Jordan, Lebanon, Netherlands, Philippines, Saudi Arabia, United Kingdom, USA

2. KUWAIT EDIBLE FISHERY PRODUCTS IMPORTS

1995 Total US\$ 20 million; from USA US\$ 0.2 million or 1%

1996 Total US\$ 20 million; from USA US\$ 0.2 million or 1%

1997 Total US\$ 16 million; from USA US\$ 0.3 million or 2%

Principal suppliers in descending order: Thailand, Pakistan, Philippines

1. UAE - CONSUMER READY FOOD PRODUCT IMPORTS

1995 Total US\$1,553 million; from USA US\$116 million or 7%

1996 Total US\$1,742 million; from USA US\$128 million or 7%

1997 Total US\$1,860 million; from USA US\$135 million or 7%

Principal Suppliers in alphabetical order: Australia, Brazil, Denmark, France, Germany, Holland, India, Iran, New Zealand., Pakistan, U.K., U.S.

2. UAE - EDIBLE FISHERY PRODUCT IMPORTS

1995 Total US\$38 million; from USA US\$300,000 or 1%

1996 Total US\$53 million; from USA US\$400,000 or 1%

1997 Total US\$63 million; from USA US\$500,000 or 1%

Major Suppliers: India, Iran, Norway, Oman, Thailand and the U.K.